



BRIEF IN SUPPORT OF PETITION.

Opinions Below.

The opinion of the District Court appears at pages 432-440 of the Record and is reported in 48 F. Supp. 602.

The opinion of the Circuit Court of Appeals appears at pages 467-475 of the Record and is reported in 142 F. (2d) 536.

ARGUMENT.

I.

The respondents having affixed the infringing mark and corporate name to their goods in the United States, and having thereupon used the infringing mark and corporate name upon such goods in interstate and foreign commerce, and having received in this country the net price of such goods, the petitioner was entitled to the general injunction and accounting granted by the District Court, without exception as to class (a) or class (c) countries.

A.

Where an infringing mark has been used in commerce among the several states, or with a foreign nation, the Act of 1905 forbids all use of the infringing mark, without exception.

(1) Sections 16 and 19 of the Act of 1905 (15 U. S. C. A. §§96, 99, reproduced in the Appendix hereto) forbid the use of an infringing mark which has been "affixed" in this country to the goods of the infringer and has thereupon been "used * * * in commerce among the several States, or with a foreign nation * * *."

Section 16 is the primary section. It declares the substantive rights of the rightful mark and the corollary outlawry of the wrongful mark without any exceptions. Section 19 carries forward these substantive rights and the corollary outlawry of a "wrongful use of a trademark".

This phrase "wrongful use of a trademark" in Section 19 clearly refers back to the "use" declared wrongful by Section 16. What is a wrongful "use" under Section 16 is necessarily a wrongful "use" under Section 19,—unless by inadmissible judicial legislation the Courts are to interject into either or both sections exceptions and limitations which are in no way expressed in the statute.

What is a wrongful use in an action for damages and penalty, cannot be a rightful use in an action for an injunction and accounting.

(2) By the Act of 1905 Congress, exercising its plenary power to regulate foreign commerce, obviously intended to devise a complete plan to protect a registrant against unlawful transportation, export and import. It denied our manufacturing, labeling and shipping facilities to infringers of registered trademarks. It intended to protect the American manufacturer, lawfully owning registered trademarks, from the use of imitations or counterfeits in our transportation and shipping facilities. It authorized the court to order the destruction of all labels, packages, etc., bearing the infringing mark (§20).^{*} It forbade the importation of merchandise with infringing marks (§27). It omitted any requirement that the wronged registrant be presently engaged in any exporting or importing business or that there be proof

^{*} Destruction of respondents' packages bearing the infringing mark and corporate name was not ordered herein (449), respondents having stated to the District Court that they would obliterate the word "Zande" therefrom.

of conflict between him and the infringer in any foreign country or countries.

(3) The language in Section 16 is "used * * * in commerce * * * with a foreign *nation*", not "foreign *nations*". The very wording of the Act reveals the intent that, even if the only use of the infringing mark has been in commerce with a single foreign nation, all use of the infringing mark is to be enjoined.

Moreover, the power of Congress "when exercised in respect of foreign commerce may be broader than when exercised as to interstate commerce" (*Atlantic Cleaners & Dyers v. U. S.*, 286 U. S. 427, 434). The reason for this is that, as to "foreign commerce, the United States possesses and exercises all the attributes of sovereignty. As to interstate commerce, it exercises only that portion of sovereignty delegated to it." (*Hammer v. Dagenhart*, 247 U. S. 251, 261, overruled on other grounds, *U. S. v. Darby*, 312 U. S. 100, 116-117).

Even if Section 16 of the Act of 1905 read "used in commerce with foreign *nations*" instead of "a foreign *nation*", it would be obvious that such commerce was intended to be considered as a single unit instead of as many units as there are countries to which the goods may be shipped. It was not intended that, where the offending acts were done in our country, our courts should make recognition of the offense dependent upon the different laws of different countries bearing on infringement, the different languages spoken in different countries, and other different conditions peculiar to such countries.

(4) Nor is there any basis for asserting that Congress, in passing the Act of 1905, intended that the standard of wrongfulness expressed in the Act, namely, "colorable imitation", should apply only to domestic commerce or

only to some foreign commerce. Congress intended and declared that the same single standard should be applicable as to all use of the infringing mark.

In an action under the predecessor Act of March 3, 1881, which provided for the granting of injunctions and accountings with respect to infringing marks used in foreign commerce and in commerce with the Indian tribes, it was held that the granting of relief to the plaintiff did not depend upon whether the infringing mark might mislead purchasers in Germany or in other foreign countries (*Glen Cove Manufacturing Co. v. Ludeling*, S. D. N. Y., 22 F. 823). In that case, Judge Wallace said, 825:

“* * * The defendant’s act is committed *here*, and whether it is a wrong or is justifiable must be ascertained upon the principles of *our jurisprudence*, and *not* upon those of the laws of *Germany*. Unless the complainant’s (*sic*, should read “defendant’s”) trade-mark is *used on goods intended to be transported to a foreign country*, by the terms of the act of congress the court can take no cognizance of the wrong in a suit between citizens of the same state. Section 11. If it is so used, the court will not be coneluded by the result of an inquiry whether it is used with an intent to mislead purchasers in the country where the goods are to be ultimately sold; because the goods may be sold here or in some country other than the one where they are to be ultimately sold, and the act of congress contemplates a *complete protection to the right* which it creates. * * *” (Emphasis supplied.)

The owner of a trademark registered under the Act of 1881 was entitled to an injunction provided that the infringing mark was “used on goods *intended to be transported to a foreign country*” (§11, Act of March 3, 1881, c. 138, 21 Stat. 502).

(5) The words "use" and "used" in Sections 16 and 19, mean, of course, *any use*. No exception or limitation is stated. To "affix" the wrongful mark is to "use" it. To employ a wrongful mark on goods being transported in or shipped from this country, is to "use" it in this country. Transportation is "use",—preeminently so. (*Louisiana R. R. Comm. v. Texas & Pac. Ry. Co.*, 229 U. S. 336, 341.)

Our position is well stated in *Ironite Co. v. Guarantee Waterproofing Co.*, 8 Cir., 64 F. (2d) 608, an action for injunction for infringement of a trademark registered under the Act of 1905. There, Judge Stone said, 611:

"The extent and the manner in which Congress intended to employ this power in the Trademark Act depend upon the provisions of that act. This meaning is easily discoverable from the expressions in various sections thereof. The section providing for registration employs the word 'used' in commerce (section 81, title 15, U. S. C. A.). The same term is employed in sections 82, 85, and, significantly, in section 96. There is no warrant to limit this broad term 'use' to use in connection with a sale. It is more in harmony with the meaning of the term (unrestricted in the act) and with the purpose of the act to construe it as equivalent to *transportation*. If this construction be correct, there can be no doubt that the undisputed evidence here shows such 'use'. Therefore we have the situation of a trademark, registered under the act, unlawfully *used in interstate commerce* by the defendant within the meaning of section 99. *This is a complete case of infringement under the act*, and the remedy therefor, and which is sought in this action, is provided by sections 99 and 100." (Emphasis supplied.)

(6) Further indication of the intent of Congress that foreign commerce is to be regarded as a single thing and not split up into as many units as there are foreign countries is

revealed by Section 27 of the Act of 1905 (15 U. S. C. A. §106) and Section 526 of the Tariff Act of 1930 (19 U. S. C. A. §1526). Those statutes prohibit the importation, without the consent of the owner of a trademark registered under the Act of 1905, into any part of the United States, of goods bearing the genuine trademark of such owner or a counterfeit or colorable imitation thereof, provided such registered trademark has been recorded with the Bureau of Customs. Thus, such importation would be refused even into a State where such owner might not have used his registered trademark. (See Appendix hereto for such statutes and Customs Regulations adopted pursuant thereto.)

B.

In limiting the injunction and accounting, the decision of the Circuit Court of Appeals unsettles the value and security of every American trademark used in foreign commerce. It breeds litigation concerning them at home and abroad, and makes them shining marks for wiles and piracies.

(1) It is a well-known fact that, in many foreign countries to which goods bearing famous American trademarks are exported, trademark rights are acquired solely by registration and not by use, and that piracy in foreign countries of famous American trademarks has been a common practice for many years. (See Bulletin of U. S. Department of Commerce, entitled "Industrial Property Protection Throughout the World" by James L. Brown—Trade Promotion Series No. 165, pages 4-7, 26.)

We, therefore, submit that the decision of the Circuit Court of Appeals will not only increase but actually facilitate such piracy, by permitting such practices to be safely carried on from within the United States itself and under the protection of our Courts.

Any nimble-witted person in this country who covets the good will associated with any famous American trademark is, we submit, enabled by this decision to register or use such trademark or a colorable imitation thereof in any foreign country whose laws so permit or are claimed to permit, and then, from vantage points in the United States, to confront the owner of the rightful mark with a *fait accompli* and with the burdens of litigation both at home and abroad.

Under the present decision, respondents may still ship their goods from New York to Mexico or any other country where, under the local laws, petitioner may have been unsuccessful in proceedings against the registration or use of respondents' mark. After the goods reach Mexico, respondents or their agents or vendees in Mexico may ship such goods to other countries where, in the words of the Court, respondents have not as yet locally established their right to use their mark. Since the corporate respondent's packages are marked "New York, N. Y.", no one in Mexico or elsewhere will know which is the original American product.

Hence, if the present decision is permitted to stand, petitioner (or any American merchant in like position) will have an impossible task not only of policing respondents' activities but of engaging in further proceedings against respondents throughout the world, notwithstanding that respondents are physically present in the United States and carrying on their commerce here and from here.

(2) According to the logic of the decision below, the corporate respondent may, with impunity as regards the courts of this country, register the trademark "Tangee" itself in any foreign countries where petitioner may have done no business, and then ship to such countries from New York its goods completely packaged and labeled with that trade-

mark, and may receive in New York the proceeds thereof. It can also adopt and have printed in New York exact counterfeits of petitioner's trademarks and labels for alleged export to such foreign countries. The impossibility of preventing the bootlegging in the United States of these counterfeits and of the packages bearing them is obvious. Until the decision below, petitioner has had a *prima facie* cause of action against any domestic printer who might make counterfeits of petitioner's trademarks and labels (Act of 1905, §§16, 20); but this important right is emptied of all substance by the decision below.

(3) We do not see how use of a trademark and corporate name which is wrongful in domestic commerce can be rightful in foreign commerce, particularly where the use in both kinds of commerce is made and carried on in the United States; nor why a Court of the United States, after having found a use to be intentionally wrongful, should feel constrained to modify its view of wrongfulness according to decisions of certain foreign tribunals or administrative officers who are acting under different laws and interpretations.

Moreover, the Circuit Court of Appeals has not stated how it is possible for the corporate respondent to continue to use in this country its infringing *corporate name* in respect of certain foreign commerce, while at the same time being forbidden to use it in respect of domestic commerce and in respect of certain other foreign commerce.

Under the present decision, cannot the respondents continue in New York to display the *corporate name* in telephone books and directories, at their place of business, upon their letterheads, billheads, envelopes and other papers relating to their business and to do other things under that corporate name, upon the mere excuse or claim that they are doing so only with a view to certain foreign commerce?

(4) There are also other anomalous features of the decision of the Circuit Court of Appeals. Thus, petitioner's and respondents' packages bear the address "New York, N. Y." (Pl. Ex. 18, 22-24, 25, 26) and respondents' also bear the notation "Made in U. S. A." (Pl. Ex. 25, 26) as the place of origin of the goods of the parties. Consequently, under such decision, and by reason of the fact that goods made in the United States carry great prestige abroad, respondents are enabled to convey the erroneous but valuable impression to the public in certain foreign countries that their mark and corporate name are in good standing in the United States and have the approval of our Government, notwithstanding that the United States Courts have held the same to be a wrongful and intentional infringement of petitioner's trademark and have barred the same from domestic commerce.

The "privilege of making in the United States, for sale abroad, was valuable, as was shown by the fact that the defendant made in the United States for sale abroad" (*Ketchum Harvester Co. v. Johnson Harvester Co.*, S. D. N. Y., 8 F. 586, 587, *infra*).

C.

No principle of equity required or authorized the limitation of the general injunction and accounting granted by the District Court. On the contrary, the general relief granted by the District Court was, under the express terms of the Act, in strict accord with the principles of equity.

(1) As we have stated above, the courts below have unanimously found that the infringement was deliberate and "with the intention of appropriating to themselves (the respondents) the good will" of the petitioner's trademark (445, 447-8).

This conduct injures, and was intended to injure, the petitioner's business irreparably, because it diminishes the

good-will of the petitioner's trademark and the extent of its trade and prestige in both the domestic and the foreign commerce of the United States.

(2) Section 19 of the Act of 1905 provides that the Federal Courts shall have power to grant injunctions, "according to the course and principles of equity", to prevent future violations of any right of the owner of a trademark registered under the Act.

In referring to this provision of Section 19, the Circuit Court of Appeals said (473):

"* * * We do not see upon what 'principles of equity' a court can enjoin the initiation of acts in the United States which constitute no wrong to the plaintiff in the country where they are to be consummated. Nor can we perceive upon what theory a plaintiff can recover damages for acts in the United States resulting in a sale of merchandise in a foreign country under a mark to which the defendant has established, over the plaintiff's opposition, a legal right of use in that country. Consequently neither the injunction nor the accounting should cover activities of the defendants, either here or abroad, concerned with sales in countries where the defendants have established rights superior to the plaintiff's in the name 'Zande'. What particular countries meet this test, we leave for determination by the district court."

Contrary to this view by the Circuit Court of Appeals, we submit that when a Court of the United States has held that certain acts done in the United States constitute an intentionally wrongful infringement, and has granted an injunction and an accounting in respect of such acts, there is no principle of equity which requires or authorizes that Court to declare immune the very same acts likewise done

in the United States, merely because the goods of the infringer are to be shipped from the United States to some foreign country where, under the laws thereof, the respondents' right to register and use their mark has been sustained.

“The general principles of equity * * * will not be applied to frustrate the purpose of its (United States') laws or to thwart public policy.” (*Pan American Co. v. United States*, 273 U. S. 456, 506.)

Certainly, it is an anomaly for a Court of the United States to hold that the decision of foreign tribunals under foreign laws and policies can create an exception to the inclusive prohibitions enacted in this country against the use of certain things in the domestic and foreign commerce of this country; or to hold that petitioner is not entitled to enjoin a deliberate imitation and infringement performed in this country merely because the imitator has thereafter managed to get his goods bearing the wrongful imitation out of the United States and into those foreign countries wherein petitioner may not be able to prevent the registration or use of the infringing mark.

(3) Moreover, such holding of the Circuit Court of Appeals is based upon a misapprehension of the facts and the law because, in addition to “affixing” and “using” the infringing mark and corporate name in the United States, respondents also receive in the United States the net price of their goods exported from the United States under the infringing mark (4, 16, 279-280, 284-285, 426).

In other words, the place of ultimate *consummation*, as well as the place of *initiation*, of respondents' wrongful acts is one and the same, to wit, the United States.

(4) Nor is this a case where one party, in good faith, has adopted a trademark and made a prior use of it in one section of the United States or of the world in ignorance of another party's earlier use of the same or similar trademark in another section. In such situations the Courts have sometimes permitted the parties exclusive use of their marks in their respective sections. (*Hanover Star Milling Co. v. Metcalf*, 240 U. S. 403; *United Drug Co. v. Rectanus Co.*, 248 U. S. 90, discussed *infra*). In the case at bar, however, the courts below have unanimously found as facts that the imitation and infringement were deliberate and "with the intention of appropriating to themselves the good will" associated with petitioner's trademark (444-445, 447-448). Moreover, the source and the locality of this intentional imitation and infringement and of the respondents' enjoyment of the fruits thereof were and are, and (unless enjoined) will continue to be, the State of New York.

(5) In concluding this point we think the words of the court in *Oneida Community Ltd. v. Oneida Game Trap Co.*, 168 App. Div. 769, 154 N. Y. S. 391, are pertinent. That case was also an action for injunction to enjoin the intentional infringement of a trademark registered under the Act of 1905. In upholding such injunction the court said, 781-782:

"* * * It is sufficient that the rights intended to have been secured by the registration have been invaded, and the defendant, having wrongfully sought to take that which belongs to the plaintiff, is not entitled in a court of equity to 'something just as good.' The plaintiff is entitled to a practical injunction; * * *. It is not the province of a court of equity to aid wrongdoers; it fulfills its mission when it has restrained the commission of a wrong, leaving the wrongdoer to figure out for himself how far he can

disregard the mandate of the court and the requirements of a clean conscience.”

D.

In limiting the injunction and accounting, the decision of the Circuit Court of Appeals is in conflict with decisions upon the same matter in the same and other Circuits, and with the statements of authoritative textwriters.

(1) In *Vacuum Oil Co. v. Eagle Oil Co.*, D. N. J., 154 F. 867, affirmed 3 Cir., 162 F. 671, certiorari denied 214 U. S. 515, plaintiff was engaged in selling its products, under its registered trademarks including the trademark “Vacuum”, in domestic commerce and in commerce with certain foreign countries, including Germany. One Von Krogh, a resident of Germany, came to the United States and in conjunction with other persons here caused the defendant, Eagle Oil Company of New York, to be organized for the purpose of shipping oils from the United States to itself, as consignee, in Germany, where Von Krogh acted as General Manager of defendant corporation’s business. When the barrels of oil were shipped from the United States they bore only the name of defendant corporation and a private marking (not a trademark). Somewhere outside the United States but before the barrels reached the ultimate consumer abroad, Von Krogh caused the trademark “Vacuum” and other trademarks like plaintiff’s to be affixed to the barrels of oil.

In an action for an injunction and accounting against the defendant corporation and Von Krogh and Hastings as officers of the corporation, wherein jurisdiction *in personam* was obtained over all the defendants, a plea was interposed that the acts complained of “were wholly done and performed” outside of the United States and that the plaintiff had been unsuccessful in a suit in Germany against the defendant for the same relief (154 F. at 868).

The court held that this plea was bad and that the plan of defendants to pirate plaintiff's trademarks was "conceived and partially, but to a material intent, carried out in this country", since the goods (even though unmarked here) were shipped from here with intent to mark them abroad. The court granted an *unlimited* or *general* injunction and accounting, and said (p. 874):

"* * * The action is in personam. It cannot be that the arm of the court is too short to reach and stop this fraudulent conduct, or so much of it, at least, as is carried on in this country. The truth of the facts set forth in the pleas has not been shown, but the contrary. The acts complained of were not wholly performed outside of the United States, and this is all, under the issues presented, that I am required to find. The purchase and shipment of this oil for the purpose of selling it under false representations and the sale of it under false representations and tradenames abroad in unfair competition with the complainant, was a *single business*, and each step in the transaction was part of a *single fraudulent scheme*, which, under the circumstances detailed, must be deemed the act of the defendants. This unfair competition has inflicted injury upon the complainant's business in this country by diminishing, or tending to diminish, its foreign trade. This suit is brought to enjoin the perpetration of such fraudulent acts and conduct in this country". (Emphasis supplied).

The Court further held that in respect of plaintiff's right to relief it does not "make any difference whether the complainant's trademarks are valid in Germany or not" (154 F. at 875).

This decision is *a fortiori* applicable to the present case where the intentionally infringing mark is affixed to the

goods in the United States before they leave the United States and the net price is ultimately received here.

In attempting to distinguish this case from the *Vacuum Oil* case the Circuit Court of Appeals says (472) that in that case "the court found a fraudulent scheme of unfair competition being carried out in essential part within its jurisdiction; a finding we obviously cannot make in the present case in so far as the appellants have won bona fide rights to use the name 'Zande' abroad."

Since the "fraudulent scheme" in that case was the defendants' practice of shipping their goods unmarked from the United States and *affixing* the infringing trademark to the goods *outside* the United States, and since the plaintiff had been unsuccessful in an action in Germany against the defendant corporation for the same relief, we submit that the attempt of the Circuit Court of Appeals to distinguish that case from this is without any basis.

Here, the respondents' fraudulent scheme is not merely "being carried out in essential part within" the jurisdiction of our courts, but it is also being actually *consummated* within the jurisdiction of our courts, because the respondents receive in New York the net price of their goods shipped by them from the United States under the infringing mark. In addition, the respondents' acts are more flagrant than those of defendants in the *Vacuum Oil* case because here the intentionally infringing mark is affixed to the goods in the United States before the goods are shipped.

(2) In *Hecker H-O Co., Inc., v. Holland Food Corp.*, 2 Cir., 36 F. (2) 767, plaintiff was engaged in selling its products in interstate and foreign commerce under the trademark "H-O". Defendant caused the infringing trademark

"Hofood" to be affixed to goods in the United States and shipped from the United States to Holland (where defendant's trademark was registered) and to other foreign countries. Defendant was not engaged in domestic commerce. The Court held that defendant's act in affixing the infringing trademark in the United States to the goods and sending them in foreign commerce constituted an infringement of plaintiff's trademark registered under the Act of 1905. In affirming a decree granting an unlimited injunction, the Court said, 768:

"(1) Labeling packages, boxes, and barrels with the mark 'Hofood,' and sending them into foreign commerce for sale in foreign countries, was a violation of the Trade-Mark Act. The merchandise thus prepared was shipped from ports of the United States and intended for foreign commerce, and the courts of the United States have jurisdiction to restrain these acts performed within the United States. *Vacuum Oil Co. v. Eagle Oil Co.* (C. C.) 154 F. 867. * * *

The Circuit Court of Appeals states herein (472) that it does not "appear from the *Hecker* record that registration of the mark established in the defendant by the law of Holland a right to use such mark as against the plaintiff." In making this statement the Court must have overlooked the statement at page 768 of the *Hecker* opinion that "appellant contends that it cannot be enjoined from the sale of its product bearing the infringing trademark in the respective foreign countries referred to". Such contention, thus referred to and overruled by the Court, was stated in the *defendant's brief in the Hecker case* as follows (11-12):

"In the case at bar, there is no evidence to show that the plaintiff has any right to the use of its mark abroad which would entitle it to prevent the defendant's use of its own mark there at the same time.

There is also no proof to show priority of use on the part of the plaintiff in Holland, Belgium, or any of the other countries in which both parties are selling their products. On the contrary, the defendant has shown a legal right to use the 'Hofood' trade-mark abroad, through its registration at The Hague in 1920. An exemplified copy of this certificate of registration is included in the record (pp. 68, 69). There is nothing to show that the plaintiff has ever made any attempt to attack the defendant's foreign registration, and with that registration outstanding and valid in the countries where the defendant sells its goods, we cannot see how the plaintiff has established a case for relief in this Court under any circumstances."

(3) The Circuit Court of Appeals also attempts to distinguish *City of Carlsbad v. Kutnow*, S. D. N. Y., 68 F. 794, affirmed 2 Cir., 71 F. 167, upon the ground that the decision of the English Court granting registration of defendants' trademark in that case over plaintiff's opposition, was offered by defendants to support their right to use their trademark in the United States, and that obviously such decision could not confer a privilege to do something in this country which our courts were bound to recognize.

That may have been a purpose of defendants' offer in evidence of the English decision, but the fact remains that no limitation was placed upon the injunction or accounting granted by our Federal Courts in that case. Consequently the injunction covered generally all use of the infringing mark "in commerce" (71 F. at 168), without excepting commerce with England.

(4) There are also other cases, with which the decision herein conflicts.

Thus in *Wyckoff v. Howe Scale Co.*, D. Vt. 110 F. 520, reversed on other grounds 2 Cir. 122 F. 348, 198 U. S. 118,

the District Court granted an injunction against the use of an infringing name. It does not appear from the opinions that any limitation was placed upon the injunction, the Appellate Courts having reversed for other reasons. In overruling a motion to suppress testimony, with respect of use of the infringing name in foreign countries, the District Court said, 522:

“* * * As this is a suit for interference in trade, the boundaries of the dealing, and not of governments or countries, is material. There is said to be a difference between the laws of this country and those of some of the countries in question; but the laws of those countries would not govern or vary the rights of parties here in respect to transactions emanating from here, although carried out there. * * *”

In *Morris v. Alstedter*, 93 Misc. 329, 156 N. Y. S. 1103, affirmed without opinion, 1st Dept., 173 App. Div. 932, 158 N. Y. S. 1123, plaintiffs and defendant were all residents of New York. Defendant owned a business in Canada, which was managed there by an agent of defendant. Defendant caused to be manufactured in Canada and sold in Canada goods in packages which were an imitation of the packages used by plaintiffs for their goods manufactured by plaintiffs in New York and sold in the United States, Canada and other foreign countries. Defendant claimed that plaintiffs were not entitled to an injunction because his goods were not manufactured or sold in the United States and because plaintiffs' trademark was not registered in Canada. In granting an unlimited injunction, the Court followed the *Vacuum Oil* case and pointed out at page 331 that *defendant did not deny that the proceeds of the sale of the goods in Canada were received by defendant in the United States.*

(5) The same doctrine is also declared by authoritative text-writers.

Thus in Hopkins' *The Law of Trademarks, Tradenames, and Unfair Competition* (4th Ed.) it is said, page 348:

"Where goods bearing an infringing mark are in possession of the defendant within the jurisdiction, though intended for exportation, the jurisdiction of the Court is complete and relief will be granted". (Citing *Orr-Ewing & Co. v. Johnston & Co.*, 13 Ch. D. 434; 7 App. Cas. 219).

In Kerly's *The Law of Trademarks and Tradenames*, (4th Ed.), it is said, page 434:

"it is of course sufficient if goods are spuriously marked by him in this country for export". (Citing *Orr-Ewing & Co. v. Johnston & Co.* 13 Ch. D. 434; 7 App. Cas. 219).

E.

In so limiting the injunction and accounting, the decision is also in conflict with decisions in analogous cases in the Second Circuit and in this Court.

In copyright and patent cases it is also the rule that, where the infringing articles are shipped from the United States to a foreign country, complete relief will be granted by our Courts to the owner of the copyright or patent, even though such foreign country may not recognize such owner's right.

Thus, in *Sheldon, et al., v. Metro-Goldwyn Pictures Corporation, et al.*, 2 Cir. 106 F. (2d) 45, affirmed, 309 U. S. 390, plaintiffs sued for infringement of copyright by the exhibition of a motion picture both in the United States and foreign countries. Positives of the film were made in the foreign countries from negatives shipped by defendants from the United States. The Court held defendants liable for infringement, and included an award of

profits made through exhibition in foreign countries, even though the laws of those countries might not have recognized plaintiff's right under our laws, Judge Learned Hand said, 52:

“(10-12) (3) The next point is whether to include the profits made from exhibiting the infringing pictures outside the United States. At first blush it would indeed seem that these should be excluded. The plaintiffs made no proof of foreign law, and we cannot say that the exhibition of the positives abroad was a tort. However, exhibition is not the only act forbidden by the Copyright Act; Section 1(d), 17 U. S. C. A. §1(d), gives to the author the exclusive right, not only to perform a dramatic work, but ‘to make * * * any transcription or record thereof * * * from which, in whole or in part, it may in any manner * * * be * * * reproduced.’ The Culver Company made the negatives in this country, or had them made here, and shipped them abroad, where the positives were produced and exhibited. The negatives were ‘records’ from which the work could be ‘reproduced’, and it was a tort to make them in this country. The plaintiffs acquired an equitable interest in them as soon as they were made, which attached to any profits from their exploitation, whether in the form of money remitted to the United States, or of increase in the value of shares of foreign companies held by the defendants. *We need not decide whether the law of those countries where the negatives were exploited, recognized the plaintiffs’ equitable interest; we can assume arguendo that it did not*, for, as soon as any of the profits so realized took the form of property whose situs was in the United States, our law seized upon them and impressed them with a constructive trust, whatever their form. Compare *Goulds Manufacturing Co. v. Cowing*, 105 U. S. 253, 26 L. Ed. 987; *Dowagiac Mfg. Co. v. Minnesota Moline Plow Co.*,

supra, 235 U. S. 641, at page 650, 35 S. Ct. 221, 59 L. Ed. 398." (Emphasis supplied.)

In *Ketchum Harvester Co. v. Johnson Harvester Co.*, N. D. N. Y., 8 F. 586, Judge Blatchford said, 586-587:

"* * * Although the patent could give no protection abroad in the sale of machines abroad, it gave protection in the United States in making machines in the United States for sale abroad. The patent prevented all persons but the patentee from making in the United States. *The privilege of making in the United States, for sale abroad, was valuable, as was shown by the fact that the defendant made in the United States for sale abroad.* The plaintiff was entitled to that privilege exclusively, and to damages for its violation. It may be that in the case of manufacture in the United States, without sale anywhere, nominal damages only are to be allowed; but where such manufacture is followed by sale abroad, it cannot be said that the damages ought to be only nominal. It is true that the sale is the fruition, and gives the profit, and that the sale is abroad, and the patent does not cover the sale abroad. But the unlawful act of making is made hurtful by a sale wherever made. The legal damages for making and selling here may be, in some cases, greater than the legal damages for making here and selling abroad; but to deprive the patentee of all damages for unlawful making here, because the article is sold abroad, is to deprive him of part of what his patent secures to him." (Emphasis supplied.)

See, also, *Dowagiac Mfg. Co. vs. Minnesota Plow Co.*, 235 U. S. 641, 650.

II.

The decision of the Circuit Court of Appeals in respect of the so-called class (c) foreign countries is founded on a misapprehension both of the facts and of the law.

A.

The Court misapprehended the facts.

The Circuit Court of Appeals, in its opinion, states that, although the complaint alleges that petitioner's trademark and respondents' trademark and corporate name are used in interstate and foreign commerce, there is no allegation in the complaint or any finding of fact as to the specific foreign countries in which the parties have done business (417).

Such allegation and finding were unnecessary, it not being disputed, and it having been found (443-444), that petitioner and respondents are using their respective marks in interstate and foreign commerce, and such finding of use in foreign commerce being enough in view of what we have said under point I *supra*.

But aside from that, the Court has overlooked the fact that the record actually shows a world-wide use of petitioner's trademark (76, 411) including specifically, among other foreign countries, Costa Rica, Guatemala, Honduras, Mexico, Nicaragua, Salvador and all of Central America; Argentina, Brazil, Chile, Colombia, Ecuador, Peru, Uruguay, Venezuela, and all of South America; Australia, Canada, China, Cuba, England, France, Greece, India, New Zealand, Northern Ireland, Norway, Spain, Sweden, Trinidad, Turkey (74-80, 110-115, 149-150, 411 Def. Ex. 13, 14A-14E, 15, 16, 17, 29, 30, 36).

Moreover, petitioner's trademark has been so widely and extensively advertised that its reputation as the lead-

ing lipstick on the market has been projected into every corner of the world (Pl. Ex. 13, 14A-14E, 15, 381-392). In fact, in one of the very foreign decisions (Mexican) relied on by respondents it is stated that petitioner's trademark has been heavily advertised not only in the United States but in all other countries (Def. Ex. W9).

The extent of the Circuit Court's misconception of the facts is typified by its statement that

"if the defendants are doing business in Turkey, for example, but the plaintiff has never extended its trade to that country and there is no evidence that it is likely to do so, plaintiff has not been damaged by the defendants' Turkish business and is not entitled to restrain its continuance or to an accounting for damages and profits with respect to sales made there" (473-474).

The record actually shows that Turkey is one of the specific countries in which sales have been made by petitioner (113-114).

The classification, characterized as class (c) countries, is, both in fact and in law, solely the creature of the Circuit Court of Appeals—a classification injected into the case for the first time by the opinion of that Court.

B.

The Court misapprehended the law.

(1) The legal ground upon which the Court based its decision as to the class (c) countries is stated by the Court as follows (473):

"And it is well established that the right to a particular mark grows out of its use not its mere adoption, and is not the subject of property except in connection with an existing business. *Hanover Star Milling Co. v. Metcalf*, 240 U. S. 403, 412-414; *United Drug Co. v. Rectanus Co.*, 248 U. S. 90, 98-100."

We have already shown why this statement in the Court's opinion does not fit the facts of this case, since petitioner has shown a world-wide use of its trademark.

(2) But there are other reasons why such statement of the Court and the two cases cited in support thereof, have no application to the case at bar. (a) In the *Hanover* and *United Drug* cases the Court held that the second adopter had adopted and used its mark in *good faith* in one section of the United States in *ignorance* of the other party's prior adoption of a like mark and use of it in another section of the United States. In the case at bar, respondents adopted their trademark in *bad faith*, with knowledge of petitioner's prior use of its trademark and with *intent* to infringe and unfairly compete with petitioner in the same commerce (444-448). In addition, the respondents, like the petitioner, conduct their business in and from New York. (b) The *Hanover* and *United Drug* cases dealt with the rights of the parties within the borders of the United States and not with rights of the parties in respect of foreign commerce. (c) The *Hanover* and *United Drug* cases were based *solely* upon *common law rights* and not upon *statutory rights*.

Moreover, this Court clearly indicated in the *Hanover* and *United Drug* cases that an injunction in favor of the first adopter is proper as to territory not yet reached by the first adopter but already occupied by the second adopter, if the second adopter has been guilty of *unfair competition*, that is, if "the second adopter has selected his mark with some design inimical to the interests of the first user, such as to take the benefit of the reputation of his goods, to forestall the extension of his trade, or the like" (240 U. S. at 403, 415; 248 U. S. at 101).

Consequently, even if petitioner had not used its mark at all in foreign commerce it would still have been entitled

to the general injunction and accounting granted by the District Court, not only because of its statutory rights, but also because of respondents' *bad faith* in adopting their mark and corporate name, with knowledge of petitioner's prior use of its trademark and with *intent* to infringe and unfairly compete with petitioner (444-448).

(3) The Circuit Court of Appeals also has cited two other cases in support of its decision as to the class (c) countries, the first of which clearly has no application, and the second of which actually is an authority in favor of petitioner.

Thus, in *Standard Oil Co. of Maine v. Standard Oil Co. of N. Y.*, 1 Cir., 45 F. (2d) 309, an action involving common law rights, the Court limited the injunction to states where plaintiff was operating, because plaintiff was only one of several unrelated Standard Oil companies operating in various parts of the United States, each having the right to use the name in its own territory.

In *Orr-Ewing & Co. v. Johnston & Co.*, 13 Ch. Div. 434 (1880) also an action at common law, defendant exported its goods bearing the infringing trademark from England to India, Aden and Madras. The Trial Court granted a general injunction, which was unanimously affirmed by the Court of Appeal, composed of three Lord Justices. Two of the Lord Justices did not disapprove the generality of the injunction. The third, Lord Justice Cotton (whose opinion alone was relied upon by the Court herein) merely stated that if defendant's label could be used reasonably in any other part of the world he might have been inclined to limit the injunction.

The decision of the Court of Appeal in the *Orr-Ewing* case was unanimously affirmed by the House of Lords (7 App. Cas. 219) which, also, did not disapprove the generality of the injunction, although it deleted, upon consent

of both sides, certain language in the injunction not material here. Hence, this case is actually an authority in favor of the generality of the injunction herein.

(4) Furthermore, immediately preceding the above-quoted portion of the opinion of the Court below, the Court also stated (473):

“The Trademark Act creates no new substantive rights in those who register their marks.”

If this holding means that the right to a general injunction and accounting herein is not a right to which petitioner is entitled under the Act of 1905, we submit that such holding is in conflict with what we have said under Point I, *supra*, and with other applicable Federal decisions.

Thus, in *Philco Corp. v. Phillips Mfg. Co.*, 7 Cir., 133 F. (2d) 663, the Court said, 668:

“* * * there are statements in many cases that by enacting the statute Congress did not create ‘substantive rights,’ but only ‘procedural rights.’ * * *

“(5) It is our opinion that Congress did create substantive rights in trade-marks by the passage of the Act of 1905. * * *

In a footnote to the opinion in the *Philco* case, also appearing at page 668, the Court said:

“² *Hanover Star Milling Co. v. Metcalf*, 240, U. S. 403, 36 S. Ct. 357, 60 L. Ed. 713; and *United Drug Co. v. Theodore Rectanus Co.*, 248 U. S. 90, 39 S. Ct. 48, 63 L. Ed. 141, are sometimes cited to support the contrary position, that Congress has no power to create substantive rights in trade-marks. But these cases involved only State common law trade-marks, not trade-marks registered under the Act of 1905. And in fact the Supreme Court suggested in the *Rectanus* case that Congress did have the power.

See Zlinkoff, *Erie v. Tompkins*: In Relation to the Law of Trade-Marks and Unfair Competition (1942) 42 Col. L. Rev. 955, 977, n. 90."

Armstrong Co. v. Nu-Enamel Corp., 305 U. S. 315, 324, cited by the Court herein, was an action under the Act of 1920, and has no application here. Another case so cited is *Mishawaka Rubber Co. v. S. S. Kresge Co.*, 6 Cir., 119 F. (2d) 316, 322, reversed on other grounds, 316 U. S. 203. In citing the opinion of the Sixth Circuit in that case, the Court below apparently overlooked the holding of this Supreme Court in the same case, 316 U. S. at 205:

"The 'right to be protected against an unwarranted use of the registered trademark has been made a *statutory right*' by that Act. *Thaddeus Davids Co. v. Davids Mfg. Co.*, 233 U. S. 461, 471" (Emphasis supplied).

Conclusion.

The petition for a writ of certiorari, as prayed for, should be granted.

Dated, August 14, 1944.

Respectfully submitted,

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